

# **Fiduciary Risk Assessment (FRA) of the Education Sector in Rwanda**

## **Final Report**

**April 2010**

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## List of Acronyms

ACCA	Association of Chartered Certified Accountants
ADB	Africa Development Bank
ASP	Annual Statement of Progress
CAP	Country Assistance Plan
CEPE	Central Public Investment and External Finance Bureau
CF	Catalytic Fund
CIDA	Canadian International Development Agency
CSO	Civil Society Organisation
DEO	District Education Officer
DFID	Department for International Development
DFID(R)	Department for International Development (Rwanda)
EDPRS	Economic Development and Poverty Reduction Strategy
EFA	Education for All
EMIS	Education Management Information System
ESCBPF	Education Sector Capacity Building Pool Fund
ESSP	Education Sector Strategic Plan
EU	European Union
FRA	Fiduciary Risk Assessment
FTI	Fast Track Initiative
GDP	Gross Domestic Product
GoR	Government of Rwanda
HIDA	Human Capacity and Institutional Development Agency
HTN	How to Note
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
ITC	Internal Tender Committee
JRES	Joint Review of the Education Sector
JESS	Joint Education Sector Support
LTESFF	Long Term Education Strategy and Financial Framework
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MIFOTRA	Ministry of Public Service and Labour
MINEDUC	Ministry of Education
MINALOC	Ministry of Local Government, Community Dev & Social Affairs
MINECOFIN	Ministry of Finance and Economic Planning
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NGO	Non Governmental Organisations
OAG	Office of the Auditor General
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PETS	Public Expenditure Tracking System
PFM	Public Finance Management
PFMA	Public Finance Management and Accountability
PS	Permanent Secretary
PTA	Parents Teachers Association
USAID	United States Agency for International Development
RPPA	Rwanda Public Procurement Agency

RwF	Rwandese Francs
SBS	Sector Budget Support
SIDA	Swedish International Development Agency
TA	Technical Assistance
ToRs	Terms of Reference
WB	World Bank

## Rwanda Education Sector Fiduciary Risk Assessment (March 2010)

### Executive Summary

#### Sector/Programme context

This Fiduciary Risk Assessment (FRA) for the Education Sector in Rwanda was undertaken in March 2010. The report is prepared using the guidance set out in the DFID, How to Note (HTN), “Managing Fiduciary Risk in DFID Bilateral Aid Programmes” of January 2008 and “Managing Fiduciary Risk when Providing Financial Aid” of March 2009.

In carrying out this sector level assessment, the consultant has extensively consulted other relevant studies, especially the CAP level FRA and the PEFA, carried out in June 2008 and February 2008, respectively.

The key findings of the June 2008 CAP level FRA, which was carried out using PEFA dimensions, are summarised below, followed by an analysis of the issues specific to the Education Sector in Rwanda.

#### Summary of the key findings of CAP level FRA

PEFA dimension	Risk level	Trajectory of change
1. Credibility of the budget (Indicators 1- 4)	Moderate	↑ .
2. Comprehensiveness and transparency (Indicators 5-10)	Moderate	↑
3. Policy based budgeting (Indicators 11-12)	Moderate	↑
4. Predictability and control in budget execution (Indicators 13-21)	Moderate	↑
5. Accounting recording and reporting (Indicators 22-25)	Substantial	↑
6. External scrutiny and audit (Indicators 26-28)	Substantial	↔
7. Corruption	Low to Moderate	↔

Given the above findings, the CAP Level FRA concluded that the overall level of fiduciary risk in Rwanda is **moderate**<sup>1</sup>. The assessment of **corruption risk** was also assessed as **low to moderate**.

<sup>1</sup> Government of Rwanda Fiduciary Risk Assessment: Oxford Policy Management: June 2008

## Summary of Education Sector Performance against agreed indicators

The following table summarises the key findings of the FRA on the Education Sector, together with comments on overall judgement of risk, how best the risks can be monitored and the existence of credible reforms.

Areas covered by assessment	Comments
Overall judgement of risk in the Education Sector	Moderate
Specific evaluation of corruption risk	Perception that corruption is under control and current data tend to confirm this. Also evidence exists on action being taken against corrupt officials at all levels of the public service, including in the education sector. .
Key risks, given analysis	General shortage of PFM capacities and skills at central and local levels, especially at schools; lack of locally generated data for feeding into policy formulation, procurement issues and inconsistent data management, especially of student registers which do not tally, yet this is the basis for calculating capitation grant.
How risks will be monitored	Current development partners and GoR joint review and monitoring mechanisms, which include quarterly JESS review and annual reviews are effective. What needs to be done is to add agenda items to the reviews, especially the Auditor General's recommendations and progress on the procurement plan. TA placed in MINEDUC should carry out routine monitoring exercises to ensure that targets are being met. Reports from the Internal Auditor must also be of a monitoring nature. At the district level, monitoring activities of the District Education Officer (DEO) will form an important component of the overall M&E. The PETS and PER, will also assist in tracking expenditure at the school levels.
Existence of credible reforms	Yes, both at national MINECOFIN, and MINEDUC. Districts and schools will

	however continue to require capacity attention, which includes institutional strengthening on PFM.
Proposed steps to address risks	<p>Improvement of data integrity is ongoing. Strict adherence to the Procurement Code.</p> <p>Current PFM training programmes should continue.</p> <p>EMIS to be given more attention to enable data generation</p> <p>Capacity issues will need to be addressed, both at Head Office, District and school levels through continuous training.</p> <p>Simplified PFM manuals to be developed and widely disseminated to schools and districts. They will also need to be translated into Kinyarwanda.</p>
Options for monitoring future performance	PETS, PER and ASP on FRA should be used. Auditor General's reports should also start looking at value for money audits

## Summary of issues considered in assessing risk in the Education Sector

### Budget Credibility

The CAP level FRA notes that there is continued weak performance of actual expenditures against budget at disaggregated level, and also that the change in the financial year during 2009 will put additional pressures on budget staff and the recently improved quality of the budget process may be at risk.

The second comment is particularly also true of the Education Sector, which is already operating under considerable capacity constraints at the accounts staff level both at national and decentralised levels. The situation becomes even more challenging, given the added PFM needs that the implementation of the ESSP is bringing to bear at both the District and the school levels. However, overall budget execution for MINEDUC remains good at around 93% in 2008, and 98% in 2007.

### Budget Comprehensiveness and transparency

The CAP level FRA points out that there is overall continued dependence on external funding which is not all identified in the budget, meaning that the full costs of providing public services are not known and that there are weaknesses in information sharing with the public and development partners.

The 2008 Auditor General's Report however, does point out that there are still areas in the Education Sector that are being funded outside the budget, and thus do not appear in the budget execution reports.

## Policy based budgeting

The CAP level FRA notes that further work is still required to institutionalise the MTEF approach in support of the EDPRS, for example by making explicit links between the EDPRS and the budget law contents and including information on goals and performance targets. It also notes that the exercise of undertaking Joint Sector Reviews for some sectors delayed in 2008 due to delays in finalisation of sector strategies. Also fully costed sector plans derived from the EDPRS need to be produced in all areas.

As far as the education sector is concerned, planning fits within the overall framework of Vision 2020 and the EDPRS, as well as within the international education objectives<sup>2</sup>. It clearly sets out as its main goal to achieve the education MDGs and Education for All objectives. However, concerns have sometimes been expressed that the annual budget process does not always clearly reflect the policies and priorities stated in key fora.

## Accounting, recording, reporting and scrutiny

The CAP level FRA observes that there is a continuing need to introduce an integrated financial management information system (IFMIS) to improve the efficiency and quality of recording, accounting and reporting. This clearly is a MINECOFIN level decision and activity.

There is no doubt that the area of accounting, recording and reporting is one that will continuously need attention in MINEDUC. There is a general perception among a number of stakeholders that one key way of dealing with the problem is to strengthen the PFM capacity in the Ministry through recruiting more staff.

## External scrutiny and audit

The CAP level FRA acknowledges that in spite of some capacity limitations, the office of the Auditor General has performed well in terms of its independence and the quality of work. Specific areas that need attention are:

- Addressing the acute retention problem at OAG
- Need for significant capacity building for both the internal and external audit functions to improve quality, scope and coverage
- Need to strengthen capacity and impact of Parliamentary and entity level audit committees

## An evaluation of the risk of corruption

Rwandan oversight institutions have done some sterling work following up on the various reports of the Auditor General, and punishing proven culprits. Examples of such actions exist even within the education sector. There is evidence that the Decentralisation programme has also empowered the local residents who now are aware of their rights and thus report corrupt activities to higher authorities. As a result, corruption activities have been relatively contained. **The risk of corruption in the Education Sector is therefore judged to be moderate.**

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<sup>2</sup> Sector Budget Support in Practice – Rwanda Education Case Study: Overseas Development Institute : Page 7

**Statement on whether there exists a credible programme to improve public sector standards and systems**

Evidence on hand tends to indicate that Rwanda has a credible programme for PFM reforms and a supportive institutional/ political context for such reforms. Evidence of political will is available from a number of sources. However, a lot of work still has to be done at the district and school levels, especially institutional strengthening, which must include the training of school heads and PTAs on PFM activities.

**Judgement on Overall Risk in the Education Sector**

**The Education Sector overall risk assessment is therefore judged to be moderate**, with a positive trajectory of change which is underpinned by a credible programme for PFM reforms and a supportive institutional/political context for such reforms. If the mitigation measures as detailed in this report are put in place, the sector should be able to manage the higher risk elements, and thus ensure the achievement of sector objectives.

## Fiduciary Risk Assessment of the Rwanda Education Sector

### 1 Introduction and Background

This Fiduciary Risk Assessment (FRA) of the Rwanda Education Sector was undertaken in March 2010, as part of the preparations for a new Education Sector Strategic Plan (2010-15) (ESSP), and an application for funding from the EFA Fast Track Initiative (October 2010). Since there is in country agreement that any future grant will be administered with DFID as the Supervising Entity, it is important that financial and procedural controls are sufficient to meet DFID's requirements. The report is therefore prepared using the guidance set out in two DFID How to Notes (HTNs). These are:

- "Managing Fiduciary Risk in DFID Bilateral Aid Programmes" of January 2008;
- "Managing Fiduciary Risk when Providing Financial Aid" of March 2009.

In carrying out this assessment, the consultant has extensively consulted a number of relevant studies and reports, especially MINEDUC internal reports, the 2008 Auditor General's Report on MINEDUC, the CAP level FRA and the PEFA, produced in June 2008 and February 2008 respectively, other development partners' reports and also information gathered from the schools<sup>3</sup> that were visited during the course of the assessment. Information gathered from interviews with officials from MINECOFIN and the Office of the Auditor General in December 2009, which was still relevant, was also used to gain a perspective of the developments around PFM both at the national and the district levels. Discussions with DFID Advisors on both the Education Sector and latest developments around national PFM reforms were also invaluable.

The Terms of Reference of this assignment, besides asking the consultant to assess the overall level of fiduciary risk in the Education Sector, including the risk of corruption and the credibility of existing reform programmes, also ask for suggestions of possible safeguards where risks are not adequately addressed in existing reform programmes.

1. Given the requirements of the ToRs and the two DFID "How to Notes" on Fiduciary Risk Assessments, this report has therefore followed the following structure: Introduction and Background
2. Key Findings from the Overall/CAP Level FRA
3. The Education Sector Context
4. Issues raised in the Overall FRA that could impact on Education Sector PFMA performance
5. EFA-FTI Catalytic Fund and Capitation Grant
6. Transparency and integrity of procurement system under the Education Sector
7. Capacity Building in the Education Sector
8. Statement on whether there exists a credible programme to improve public sector standards and systems
9. An evaluation of the risk of corruption
10. Summary of key fiduciary risks and mitigation measures
11. Proposed monitoring and review mechanisms
12. Judgement on overall risk in the Education Sector

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<sup>3</sup> Schools visited during the FRA are Nyabaraya Primary School and GS Remera Protestant School

## 2 Key Findings from the Overall/National FRA

The June 2008 CAP Level FRA concluded that the overall level of fiduciary risk in Rwanda is **moderate**<sup>4</sup>. The findings of the CAP level FRA analysis, which was done utilising PEFA dimensions, are summarised in the table below.

### Summary of CAP level FRA

PEFA dimension	Risk level	Trajectory of change
1. Credibility of the budget (Indicators 1- 4)	Moderate	↑
2. Comprehensiveness and transparency (Indicators 5-10)	Moderate	↑
3. Policy based budgeting (Indicators 11-12)	Moderate	↑
4. Predictability and control in budget execution (Indicators 13-21)	Moderate	↑
5. Accounting recording and reporting (Indicators 22-25)	Substantial	↑
6. External scrutiny and audit (Indicators 26-28)	Substantial	↔
7. Corruption	Low to Moderate	↔

As shown in the table above, 4 of the six PFM areas were assessed as being moderate risk, with two at substantial. For this reason the **overall level of fiduciary risk** was assessed as **moderate**. The assessment of **corruption risk** was assessed as **low to moderate**. The trajectory of change was also judged to have been positive in general for the last few years, with progress in some specific areas of weakness being achieved in the previous 12 months. The report also pointed out that it is expected that the strong reform progress will continue and the PFM systems will be further strengthened over the next few years.

Rwanda's first Public Expenditure and Financial Accountability (PEFA) Assessment was completed in 2007 and confirmed that while the PFM system performs strongly in some areas, there still exist other areas that still require considerable strengthening. In particular, the areas of accounting, reporting, external audit and oversight require attention. The PEFA also points out that reporting at decentralised levels is weak and in need of capacity support, if it is not to continue being an area of possible risk.

<sup>4</sup> Rwanda Fiduciary Risk Assessment: Oxford Policy Management: June 2008, page 4

### **3. The Education Sector Context**

For the purposes of this sector FRA, the context of the Education Sector in Rwanda is analysed under the following sub-headings:

#### **3.1 Organisational structure**

The global goal of the Government of Rwanda is to reduce poverty and in turn to improve the well-being of its population. Within this context, the aim of education is to combat ignorance and illiteracy and to provide human resources useful for the socio-economic development of Rwanda through the education system.

The Ministry of Education (MINEDUC) is in charge of primary, secondary and higher education.

The Minister, assisted by a Minister of State in charge of primary and secondary education, ensures the coordination of different departmental activities in the Ministry. The daily running of the Ministry is the responsibility of the Permanent Secretary assisted by Directors. There are eight autonomous public institutions under the supervision of MINEDUC. These are:

- i. National University of Rwanda (UNR)
- ii. Kigali Institute of Science, Technology and Management (KIST)
- iii. Kigali Institute of Education (KIE)
- iv. Kigali Health Institute (KHI)
- v. Institute of Agriculture and Animal Husbandry (ISAE)
- vi. Institute of Scientific Research and Technology (IRST)
- vii. Rwanda National Examinations Council (CNER)
- viii. School of Finance and Banking (SFB)

Apart from these institutions, there are other agencies and commissions attached to MINEDUC, namely:

- i. Rwanda National Commission for UNESCO (RNCU)
- ii. National Curriculum Development Centre (NCDC)
- iii. Teacher Service Commission (TSC)
- iv. Students Financing Agency for Rwanda (SFAR)
- v. General Inspection for Education (IGE)
- vi. Rwanda Development Gateway (RDGG)

#### **3.2 Decentralisation of responsibilities**

The Education Sector Strategic Plan (ESSP) for 2008 defines the responsibilities of different actors in the sector. MINEDUC sets policy, norms and standards, oversees the system; undertakes planning, monitoring and evaluation at the national level. MINEDUC currently has about 40 staff in total, down from around 200 before it was restructured in 2005-2006. This made the ministry very small by regional standards.

In line with the decentralisation policy, Districts have responsibility for service delivery and oversight of schools, in coordination with the Imirenge (sector) offices. In particular, Districts are required to develop a District Education Plan indicating their priorities and targets in the education sector. They have the responsibility for preparing the pay list for teachers (transferred from MIFOTRA in 2007), launching the process for funding transfers from central government to schools and teachers (capitation grant, school feeding, teachers salaries) every quarter, monitoring school

use of funds and results, managing school construction in the district in collaboration with MINEDUC. Finally, Districts are expected to sign performance contracts (*imihigo*) with each headmaster, and evaluate performance regularly. Districts monitor directly secondary schools, and rely on Imirenge for monitoring primary schools. Each District has an Education Officer, while each Umurenge has an officer in charge of social sectors (including education).

Schools are expected to have functional and effective school boards and parent teacher associations (PTAs). They are expected to report their financial resources and expenditures with the school board members, local community and districts. Each school is expected to develop a School Improvement Plan to outline its priority needs and planned activities over the coming years. This then becomes the basis upon which the school capitation grant budget is drawn up.

### 3.3 Education Sector Policies and Plans summary

Planning for the education sector fits within the overall framework of Vision 2020 and the EDPRS, as well as within the international education objectives<sup>5</sup>. It clearly sets out as its main goal to achieve the education MDGs and Education for All objectives. The following is a summary of the education sector policies and plans which, in turn have a bearing on PFM:

- *Education sector policy (2003) sets the overall objectives and priorities of the education sector*
- *Long term educational strategy and financial framework (2006-2015) (LTSFF) defines the long term (10 years) objectives and targets and financial framework, identifying in particular the financing gap in order to reach the long term objectives. The two major objectives of the LTSFF are 9 year basic education and science and technology with a particular focus on ICT. Although the LTSFF is an important document for planning purposes, it has not been used much, with focus being more on the ESSP 2010-2015.*
- *Education Sector Strategic Plan (ESSP): the first plan was designed in 2006 (2006-2010). It outlines key education policies and activities to be carried out over the five years. (Currently a new ESSP is being designed).*
- *Education MTEF: outlines the allocation to each education sub-sector over the coming three years. It is used as a planning and management tool, and is co-ordinated by the Planning Department in MINEDUC.*
- *Education budget and annual work plan: provides detailed outline of the activities and budget for the coming year. The education budget covers the Ministry of Education and central government transfers to autonomous and semi-autonomous agencies. In addition, the education sector budget covers all earmarked transfers to districts and schools in the field of education.*

### 3.4 External support to the Education Sector

Before 2000, donor support to the education sector was in the form of projects. There were several major projects from multilaterals (WB, ADB) and multiple projects from bilateral. An assessment carried out in 2005 observed that the projects approach is falling far short of meeting ESSP needs, and that there were too many small projects that did not reflect GoR priorities, did not directly fund ESSP programmes, and had high costs, making them difficult to scale-up or sustain. The assessment also found that this projects model of the pre-2006 period posed a number of challenges which included: duplication delays, high overhead costs, lack of accountability to MINEDUC

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<sup>5</sup> Sector Budget Support in Practice – Rwanda Education Case Study: Overseas Development Institute. Page 7

management and lack of predictability in particular with regard to the requirement to ask for “no-objection” from Head Office for some donors. At that time, the donor group was fragmented, scattered, and project support donors were each concerned exclusively with their specific area of interest and project implementation. This resulted in high transaction costs to MINEDUC staff in terms of managing different evaluations missions and reviews for each project. Also, delays in project implementation, leading to many project extensions affected sector performance.

These problems of project aid were widely acknowledged by 2006, and have since led to a gradual shift from projects to policy focused budget support instruments. As early as 2000, DFID introduced an “education window” in their general budget support programme in order to enhance the focus on the education sector and support the development of the education strategic plan. In parallel, DFID also provided intensive TA and capacity building support with the objective of supporting government to develop sector and subsector policies, a costed education strategic plan and a credible MTEF. Also in the early 2000s, a few donors started organising joint education sector missions (UNICEF, Sweden, DFID), and there were more coordination efforts around the Education for All initiative. SIDA started providing sector budget support to education in 2002, in silent partnership with DFID. In 2006, at the same time of the finalisation of the LTSFF, the ESSP and the Partnership Principles, the Joint Education Sector Support programme (JESS) was set up, which consists of joint sector budget support and a separate capacity building pooled fund. All these efforts took place in 2006, and resulted in the number of donors providing sector budget support increasing progressively to reach 7 in 2008, including the Fast Track Initiative’s Catalytic Fund, DFID, SIDA, Netherlands, ADB, Belgium and CIDA.

Currently, the number of donors active in the education sector is about 15. In 2006, government and donors signed a Memorandum of Understanding (MoU) defining common Partnership Principles. The objective of the MoU was to set out a common approach between the GoR and Development Partners for support to the Education Sector in the country within the framework of the ESSP. The six Partnership Principles are:

- *Aligned and harmonised planning and resource allocation*
- *Harmonised external financing modalities*
- *Harmonised policy dialogue, consultation and information sharing*
- *Harmonised systems*
- *Aligned and harmonised approach to capacity building*
- *Harmonised performance monitoring and review*

Overall, donor –government dialogue in the education sector is very open, based on mutual trust and respect, and well structured. Terms of reference have been drawn up for each forum and for the role of the lead donor. There is evidence that the manner in which external support has evolved in Rwanda, and the co-ordination, implementation and monitoring mechanisms that have been put in place over time have helped to strengthen and improve sector performance.

### **3.5 MINEDUC responsibilities on PFM matters**

According to the Auditor General, the management of MINEDUC has the following responsibilities with regards to PFM<sup>6</sup>:

- *Maintain proper books of account which disclose, with reasonable accuracy, the financial position of the Ministry and which can be relied upon in the preparation of financial statements;*
- *Prepare financial statements for each financial year which give a true and fair view of the financial position of the Ministry at the end of the year and its receipts and expenditure for that year;*
- *Putting in place adequate systems of internal control to safeguard the assets of the Ministry (this includes procurement matters), and*
- *Ensure that management of receipts and execution of expenditure is in accordance with existing laws and regulations*

It is against this background of known responsibilities that this fiduciary risk assessment is being made.

## **4. Issues raised in the overall FRA and PEFA that can affect the Education sector PFMA performance**

The CAP level FRA and the PEFA identified certain areas of weakness in the Government of Rwanda PFM which we compare here with the findings of this FRA of the Education Sector. as their relevance to this sector is obvious: This also provides the “context” under which the Education Sector operates.

### **4.1 Credibility of Budget**

The CAP level FRA notes that there is continued weak performance of actual expenditures against budget at disaggregated level, and also that the change in the financial year during 2009 was going to put additional pressures on budget staff and the recently improved quality of the budget process could be at risk.

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<sup>6</sup> Auditor General’s Report for 2008 on MINEDUC

The second comment is particularly also true of the Education Sector, which is already operating under capacity constraints in accounting and financial management staff level both at national and decentralised levels. The situation becomes even more challenging, given the added PFM needs that the implementation of the ESSP is bringing to bear at both the District and the school levels.

There is also a tendency in the sector of treating transfers to schools as being expenditure, despite the fact that some of this money is not spent by end of the financial year. However, both MINEDUC and MINECOFIN are aware of this and have thus initiated an exercise, together with MINALOC where a team of officers have been given the task of looking at issues associated with transfers to the Districts and below. They are also looking at developing a single and simple financial management manual that can be used by non-financial persons at that level.

This issue was also noted in the Public Expenditure Review (PER) carried out in 2007 which noted that "...total execution of the budget at MINEDUC is now much closer to budgeted figures than in the past." This illustrates an improved capacity for planning and budgeting by MINEDUC. Although the overall budget execution was good (98% in 2007) there were variations between programmes and sub-programmes. Nevertheless, information on budget execution represented information on disbursements by central government, and did not, as yet, present information on actual expenditure (for example budget execution of district transfers or transfers to semi-autonomous agencies imply that money has been transferred to these institutions, but information on a number of districts and semi-autonomous agencies is not provided yet on whether and how this money was spent). It is hoped that improvements on reporting on actual expenditure should come in the coming years with the strengthening of the accounting systems and reports.

#### **4.2 Budget Comprehensiveness and transparency**

The CAP level FRA points out that there is overall continued dependence on external funding which is not all identified in the budget, meaning that the full costs of providing public services are not known and that there are weaknesses in information sharing with the public and development partners

Although the comment on dependence on external funding is true for the Education Sector in Rwanda, it must be noted that a lot of effort by both GoR and Development Partners has gone into harmonisation of funding contributions to the sector budget, leading to predictable long term budgetary commitments. As noted above, external funding has resulted in planning, implementation and monitoring mechanisms which have strengthened sector performance.

The Education sector budget has been following an upward trend, in absolute terms and as a percentage of GDP and the total budget. A major increase took place in 2005 when the recurrent education budget grew from 11% of total recurrent expenditure to 20% in 2006 corresponding to an increase by 93% of the recurrent education budget and by 62% of the total education budget. This share has been maintained since then, although the education budget is now starting to stabilise around 15% of the total budget, and 4-4,5% of GDP.

The share of primary and pre-primary has increased significantly from a low of 18% of the total budget in 2004 to 43% in 2007, mainly through a major increase in the capitation grant and construction expenditures<sup>7</sup>.

The 2008 Auditor General's Report however, does point out that there are still areas in the Education Sector that are being funded outside the budget, and thus do not appear in the budget execution reports. These include amounts spent on education by FARG (appear under MINALOC-FARG): amounts spent on education by Districts financed with the block grant or Districts' own revenue, amounts collected directly and spent by education semi-autonomous agencies and higher learning institutions. The 2009 budget presented to Parliament for the first time contained in annexes information on revenues collected by semi-autonomous agencies and higher learning institutions (fees, donor projects, etc), therefore providing a more complete picture of the amounts spent in the education sector overall. The total amount collected directly by these institutions in 2008 is estimated at Rwf 7,3 billion, which represents 7,2% of the education budget<sup>8</sup>.

### 4.3 Policy based budgeting

The CAP level FRA notes that further work is still required to institutionalise the MTEF approach in support of the EDPRS, for example by making explicit links between the EDPRS and the budget law contents and including information on goals and performance targets. It also notes that the exercise of undertaking Joint Sector Reviews for some sectors delayed in 2008 due to delays in finalisation of sector strategies. Also fully costed sector plans derived from the EDPRS need to be produced in all areas.

As far as the education sector is concerned, planning fits within the overall framework of Vision 2020 and the EDPRS, as well as within the international education objectives<sup>9</sup>. It clearly sets out as its main goal to achieve the education MDGs and Education for All objectives.

Rwanda has made substantial achievements in the planning and decentralisation of expenditures for the education sector. The move towards a results-oriented budget and MTEF has been accompanied by reforms in the education sector. Important actions have been taken, including the development of the ESSP aligned to the results-oriented sector MTEF, the initiation of capitation grants for primary schools and provision for grants to promote access for the most vulnerable segments of the population.

MINECOFIN officials have always put emphasis on the influence of the costed Long Term Strategy and Financing Framework (LTSFF) as a guide for budget allocations to education (both to the sector and intra-sectoral). The LTSFF has been used as it provided an overall financing framework linked to a clear strategy and objectives, endorsed by development partners and serving as a basis for the FTI grant (representing 8% of the total recurrent budget in 2008).

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<sup>7</sup> Sector Budget Support in Practice – Rwanda Education Case Study: Overseas Development Institute: Page 9

<sup>8</sup> Sector Budget Support in Practice – Rwanda Education Case Study: Overseas Development Institute: Page 11

<sup>9</sup> Sector Budget Support in Practice – Rwanda Education Case Study: Overseas Development Institute : Page 7

It can therefore be concluded that a strong policy based budgeting system does exist in the Education Sector in Rwanda although concerns have sometimes been expressed that the annual budget process does not always clearly reflect the policies and priorities stated in key fora. Also what still is lacking is the use of grassroots generated data in feeding into the policy formulation process. Capacity constraints have resulted in lack of data from the grassroots. Ideally the sector requires “evidence based policies”. But currently what we have is “policy based evidence”. This is one gap that the Education Management Information System (EMIS) will fill. EMIS is currently under design and is expected to be rolled out and become fully operational soon. When properly functional, it will be a useful tool for collecting all school and college-based data relating to pupils, teachers, equipment and infrastructure in both public and private institutions, and also support a number of educational semi-autonomous agencies. The delay being experienced in implementing EMIS has become a PFM risk, and MINEDUC will need to address this as soon as possible.

#### 4.4 Accounting, recording, reporting and scrutiny

The CAP level FRA observes that there is a continuing need to introduce an integrated financial management information system (IFMIS) to improve the efficiency and quality of recording, accounting and reporting. The 2008 Auditor General's Report on MINEDUC points out to a number of accounting and reporting irregularities. The following are some of them:

- *Financial reports in MINEDUC are kept on a Cash basis and not on an accrual basis. Therefore not all information has been revealed, especially on debtors and creditors.*
- *Budget Execution Report was not available at the time of the audit – hence it was not possible to compare actual expenditure against budget.*
- *MINEDUC cash book showed an overdraft of about RwF128 million in a BNR account – yet there is no such provision for overdraft. This shows some accounting and recording inaptitude*
- *In 2008 the MINEDUC Accountant banked RwF 6 480 000 he had held since 2007 from workshops and training advance retirements. This means he illegally held onto ministry money that he/she was supposed to bank in accordance with set financial management rules.*

There is no doubt that the area of accounting, recording and reporting is one that will continuously need attention in MINEDUC. There is a general perception among a number of stakeholders that one key way of dealing with the problem is to strengthen the PFM capacity in the Ministry through recruiting more staff.

The situation is even more challenging at decentralised levels where reports from schools to the District, and from the District to Head Office do not flow regularly, and when they are submitted, their quality still leaves a lot to be desired. This therefore is an area of fiduciary risk. (This issue is discussed further under Capitation Grants below).

#### 4.5 External scrutiny and audit

The CAP level FRA acknowledges that in spite of some capacity limitations, the office of the Auditor General has performed well in terms of its independence and the quality of work. Specific areas that need attention, however, are:

- Addressing the acute retention problem at OAG
- Need for significant capacity building for both the internal and external audit functions to improve quality, scope and coverage
- Need to strengthen capacity and impact of Parliamentary and entity level audit committees

The 2008 Auditor General's Report on MINEDUC revealed a number of weaknesses, which the ministry says is currently addressing. Although the audit opinion indicates that proper books of accounts have been kept and the financial statements "give a true and fair view of the state of financial affairs of MINEDUC", there are significant lapses of compliance to laws and prescribed procedures. For example, there are weaknesses in controls over payments, bank accounts and assets and lapses in the implementation of prior year audit recommendations. Of particular concern are the issues surrounding procurement as discussed under the section on *Transparency and Integrity of the Procurement System* below.

The commissioning of external audits by MINEDUC must also be done on a regular and timely manner. This will ensure compliance with both the law and agreements with DPs.

#### **4.6 Predictability and control in budget execution**

The CAP level FRA makes the following observations under this heading:

- The ambitious spending plans of the EDPRS might lead to the need to reduce budget allocations within the financial year
- Controls over the MIFOTRA payroll records are weak and budgeting for payroll costs in 2007 was not very effective
- The internal controls environment and internal audit could be strengthened further

This FRA observes that the comments on internal audit are also true for the Education Sector, both the Head Office and District levels. There is need for a continual training programme for the audit staff if the audit related volume of work envisaged during the next ESSP period is to be undertaken effectively. There is only one internal auditor in MINEDUC Head Office, and also one internal auditor per District, who is also responsible for reporting on other sectors. With an average of 100 schools per district, it is quite clear that these officers cannot deliver on the expected workload. Internal audit therefore remains an area of fiduciary risk. However, the government is putting measures in place to recruit additional accountants and auditors for districts.

As a mitigation measure, it is hoped that MINEDUC will ensure that periodic PER and PETS are conducted in the sector. These exercises, besides identifying gaps and anomalies in the system, must also be part of the problem solving mechanism through suggesting concrete solutions to the identified problems.

#### **4.7 Cross cutting issues**

The CAP level FRA also observed the following high level cross cutting issues:

- Continued and as yet, unresolved discussions about future arrangements for external support to PFM reform might delay progress
- Lack of independent technical review of the proposed new IFMIS
- Capacity constraints both in terms of numbers and skills put the PFM reforms and gains made to date at potential risk
- Risk of gains to date being lost due to reforms not being institutionalised – e.g. recent lack of financial information reporting to donors and the public.

These concerns also apply to the Education sector as PFM at sector level is a product of the national reforms currently underway. Also, success of these high level reforms will go a long way in improving constraints at the district and school levels, which are the two critical levels at which service delivery in education is taking place.

## 5. EFA-FTI Catalytic Fund (CF) and Capitation Grants

The Government of Rwanda received a total of US\$70 million from the EFA-FTI CF in 2007 and 2008. As of December 2008, the full amount of this grant had been disbursed: US\$26 million in 2007 and US\$44 million in 2008. The CF grant equalled 23 percent of the GoR's budgetary expenditure for basic-education and was used to fund primary and lower secondary school Capitation Grants, basic education textbooks, the construction and rehabilitation of basic education classrooms and other school buildings, and teacher training. For instance, in 2008, the teachers-pupil ratio was significantly reduced through capitation grants by enabling schools to contract nearly 2000 additional teachers, to purchase nearly 7,2 million textbooks for primary schools and to construct 2315 new classrooms for basic education.

The policy to abolish school fees has clearly led to dramatic increases in access to primary education, which have in turn led to increased challenges to maintain and improve quality. The dramatic increase in the capitation grant has helped schools deal with this. Observations at the district and school levels have all outlined the importance of the capitation grant in improving school infrastructure and maintenance, through small rehabilitation works, building of latrines, water tanks, timely and adequate provision of teaching material, income generation projects, construction of perimeter fences, building of sport playground, etc. According to MINEDUC reports, the capitation grant has also allowed improved teacher motivation through the provision of an "allowance" to each teacher.

Because of the large amounts of funds being channelled through the Capitation Grants, Sector Budget Support stakeholders requested MINECOFIN to carry out an audit covering the period January 2008 to June 2009. The following is a summary of the findings:

- *Non-adherence to public tendering processes: In some of the schools audited, tenders to supply food stuff, school equipment and construction materials were awarded without adhering to Rwanda public procurement procedures.*
- *Disbursements without any supporting documents: Volume 1 of the Financial Policies and Procedures issued by MINECOFIN on state finances and property stipulates that government expenditure must be properly supported with documents such as properly issued purchase order and payment voucher, invoices, third party receipt acknowledgement, etc. Otherwise they are referred to as irregular expenditures. In a number of the audited schools, it was noted that disbursement was made without supportive documents.*
- *Cash deficits: A few of the audited schools showed some cash deficits*
- *Cases of untraced students: The physical number of students in a given school should match with the number in the school register, District register as well as a register maintained by MINEDUC. However a mismatch between the number of students in the register maintained by the respective schools and the number of students in the register maintained by respective schools and number of students in the registers of their respective Districts was observed. Data base management is a problem and is leading to payment of teachers who have already left. Is also resulting in delays in the disbursements of the Capitation Grant when districts have problems in verifying the student numbers, as this is the basis upon which the capitation grant is calculated and disbursed.*

*The report concludes that generally the management of funds in primary schools was not done well due to the little knowledge of bursars and headmasters on public financial management.*

The Report then makes the following recommendations:

- *School headmasters and school bursars need to be trained on basic knowledge of financial management and basic book keeping, filling and preparation of financial reports;*
- *Expenditure made without any supporting document or which is inappropriately paid should be justified*
- *Schools committees should be involved in the management of schools and regularly review financial reports prepared and produced by the schools*
- *Schools should ensure proper management of foodstuffs, stock cards should be regularly updated as items enter and go out of stock;*
- *Procurement of foodstuffs, school materials and equipment should be done with competition to ensure value for money;*
- *Internal Auditors at the District should regularly review the internal controls of schools and report promptly where the controls are not being observed.*

In addition, the consultant visited two schools in the Kigali periphery, i.e. Nyabaraya Primary School and GS Remera Protestant School, for on the spot verification of these audit findings. The following is a summary of the findings from these visits:

- *At **Nyabaraya Primary School**, expenditure is not being recorded. Receipts are being kept in a drawer and there is evidence of tampering with the receipted figures.*
- *Possible misuse of funds for transportation on private errands, on the pretext that they are visiting the DEO.*
- *No adequate supervision and monitoring from the District.*
- *No PFM guidelines exist.*
- *PTA structure is in place but its effect on PFM issues is not evident.*
- *There is need to strengthen PFM capacity at both school and District level.*
  
- *At **GS Remera Protestant School**, all expenditure is being accurately recorded in a ledger*
- *The school also has a budget that was compiled through a consultation process with parents*
- *No adequate supervision or monitoring from the DEO but Headmistress is determined to make things work*
- *No PFM guidelines exist, but Headmistress was trained in accounting basics and is implementing them*

The simple lesson from the visits is that where the school head has a desire to succeed, he/she will do a good job. Training and workshops among school heads would give them opportunities for knowledge sharing. The GS Remera Protestant School could be used as one of the case studies in future training programmes.

## **6. Transparency and integrity of procurement system**

One of the original conditionalities of World Bank assistance to the reforms in Rwanda was that the country adopts a Procurement Code which would in future act as the main guidelines on procurement issues. The Code was adopted in 2006, and one stipulation is that each public entity must have a procurement officer who, for transparency reasons, declares his/her wealth to the Ombudsman.

At the national level, the PEFA has also acknowledged the risk under procurement by pointing out that whilst procurement is largely competitive, the absence of justification, in a number of cases, of non-competitive tendering, is a risk to the

economic purchase of good quality products for service delivery and may also risk corrupt practices, leakages and patronage<sup>10</sup>.

In MINEDUC the procurement function is carried out by 1 Procurement Officer who reports to the PS. The Procurement Officer has undergone some regular procurement training undertaken by the RPPA, and there is evidence that he carries out his function in accordance with a procurement plan. This plan is updated on a quarterly basis in order to reflect the more current status of the procurement programme.

In line with the legal framework, MINEDUC has also set up an Internal Tender Committee (ICT) which has received due training from the RPPA. It should be noted that the procurement framework prohibits the Chief Budget Manager, the Head of Finance and the Internal Auditor, to be members of the ITC.

However, despite these elaborate institutional arrangements, the Auditor General's Report for the 2008 financial year reveals some unfortunate findings on procurement issues, especially the seemingly deliberate flouting of tender procedures. Three contracts are specifically mentioned, and the following is a summary of just one of them:

*Rwanda Network Computers was contracted to supply of 4000 computers worth RwF 2 billion to schools.....BUT:*

- *tender documents have gone missing*
- *there has been some installation of unlicensed/pirated software*
- *no authentication of hardware was done by RITA as per contract*
- *Delivery period was to be 13 months but 36 months latter only 3450 computers had been delivered*
- *There are suspicious circumstances surrounding the termination and renewal of contract*
- *the 550 outstanding computers were supposed to be delivered under the renewed contract within one month of payment of the second deposit but this did not happen*

However, it must be noted that the Auditor General's Report looks at the period between 2005 and 2008. The latest administration took over in August/September 2009, and they have put in place specific safeguards to ensure the integrity of the procurement system in MINEDUC. Examples of these safeguards are:

- *institutionalisation of properly constituted internal tender committees*
- *closer monitoring of contracts, including physical verification*
- *holding to account all culprits involved in tampering with the tender process*
- *regular training through RIAM on laws and procedures*

A closely monitored Procurement Plan is needed for MINEDUC. The JESS should also monitor procurement issues and progress on contract performance.

## **7. Capacity Building in the Education Sector**

A number of reviews have pointed out that the capacity of the MINEDUC has remained weak despite the extra demands laid upon it and the formal and informal capacity building and technical support provided. The 2007 PER noted that

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<sup>10</sup> Rwanda PEFA Final Report, 2007, page vii

MINEDUC is one of the smallest ministries of education anywhere, with only 40 posts, including two ministers. Decentralisation and devolution of functions and posts to semi-autonomous agencies have left the ministry with the bare minimum of staff for its responsibilities. The conclusion was that formal and informal capacity building is unlikely to be effective in an institution which does not have adequate human resources. A recent Functional Review and Institutional Audit of MINEDUC has noted that staff shortages in the Policy, Planning and Capacity Building Unit are being compensated for by project staff and technical assistance, but this is unsustainable and masks the lack of capacity only in the short term.

The main risks with a weak capacity in MINEDUC is difficulties in implementation of planned activities, and also the reliance on a very small number of key individuals for the dialogue with donors and ensuring a coherent and comprehensive planning, budgeting and reporting by the Ministry. The departure of one or more of these key individuals could compromise the effectiveness of the ministry and thus put the whole ESSP into jeopardy.

The Education Sector Capacity Building Pool Fund (ESCBPF) was established in 2006 as part of the Joint Education Sector Support (JESS) programme to support operationalisation of the ESSP by providing a channel for joint Development Partner support to the Education Sector. The overall objective of the Fund is to support sustainable strategic institutional capacity building within the Education Sector to ensure delivery of the ESSP. Whilst the Fund did contribute to important results such as training of head teachers on school management, concern was raised during the October 2009 Joint Review of the Education Sector (JRES) over the use and impact of the Fund prompting the Sector to identify the effective use of the Fund as a key action point for the coming year.

Currently, a process is under way, as part of the development of the new ESSP, to integrate the ESCBPF into the planning process. Already there is agreement on the general principles and criteria for use of this Fund to guide planning for 2010-11 and beyond. This is important given that the ESCBPF has limited resources, and hence it is essential to agree general principles for its use to ensure that it contributes in an effective way to supporting the Sector deliver on its ambitious goals. Key principles on the use of the Fund are:

- *Conducting analysis, research and studies that support the implementation and monitoring of the ESSP.*
- *Supporting MINEDUC and its implementing agencies in the development of Sector policies and strategies.*
- *Undertaking capacity and skills need assessments at central/decentralised levels and subsequently the design and delivery of relevant training interventions.*
- *Procurement of short or long term technical assistance to build MINEDUC and its implementing agencies' staff capacity to deliver on the ESSP.*
- *Short term human resources and management development training workshops, seminars and/or programmes for individuals and teams that are within the financial limits set by the ESCBPF Steering Committee.*

Expenditure to date seems not to have strictly adhered to these criteria, and this is something that will need to be addressed in the new ESSP. Internal MINEDUC reports show that in 2009 the ESCBPF was used for the following:

- *Salaries and fees for both local and international advisers*
- *English training for teachers*
- *Training for PTAs*
- *School management training*

- *Support to textbook reforms*
- *Support to MINEDUC policy development*
- *Training special needs teachers*
- *Training teachers on use of laptops*
- *Consultancy on M&E*

The ESCBPF also needs to do more to incorporate capacity building in PFM at decentralised levels under school management training. This is an area that will continue to need attention as we move towards implementation of the new ESSP.

### **7.1 Training for School management**

Training, financed by the CBPF, was carried out in 2007 and 2008 for school directors, district education officers on school management, which included a module on budget preparation and execution. Directives have also been sent to schools on disbursement procedures (for example, disbursements in primary schools require the signature of the school director, the president of the PTA, the treasurer of the PTA and a teacher, and budget preparation mechanisms (budget must be approved by the PTA). However evidence on the ground indicates that there is need for further training for both the PTA (on their role in managing and monitoring the use of the schools budget) and school headmasters and secretaries specifically on the management of the capitation grant. This must be accompanied by a simplified manual on financial management which will need to be translated into Kinyarwanda. The proper functioning of these processes will need districts that are capable of supervising and monitoring financial management at the school level.

However the PER of 2007 pointed out capacity related weaknesses which are still in place today. It states that districts and MINEDUC do not have the capacity to analyse schools budget execution reports (with an average of 100 schools per districts and only one education officer).

The importance of these issues becomes apparent when we consider that the amounts being transferred directly to the decentralised level for service delivery have grown very quickly over the past five years to reach 44% of the total education budget in 2008<sup>11</sup>.

## **8. Statement on whether there exists a credible programme to improve public sector standards and systems**

Vision 2020, which was developed by the Office of the President between 1998 and 2000, and the medium term Economic Development and Poverty Reduction Strategy (EDPRS) provide the overarching framework for GoR plans and policies.

In recent years, remarkable progress has been made in constructing a modern public financial management (PFM) system in the country<sup>12</sup>. The introduction of the MTEF in 2001 has strengthened the links between policy and budgets and made the budget more transparent; the SMARTGOV<sup>13</sup> and cash budget systems have enabled

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<sup>11</sup> Sector budget support in Practice – Rwanda Education Case Study: Page 43.

<sup>12</sup> The PEFA qualifies Rwanda's PFM reforms as "impressive given the circumstances, resources and capacities of the country" (2007)

<sup>13</sup> SMARTGOV is a computerized expenditure commitment and payment recording system. All ministries and all provinces are now part of the SMARTGOV network. Districts are in the process of being connected.

Government to exercise greater control over expenditure and prevent the build up of excessive arrears.

The Office of the Auditor General was established by law in 1998, and was shifted by the 2003 Constitution from being under the executive and judiciary to reporting primarily to Parliament. The National Tender Board was also introduced in the late 1990s. Subsequently, Law No. 12/2007 on Public Procurement introduced decentralisation of procurement responsibilities to budget agencies while the Rwanda Public Procurement Authority, which replaced the National Tender Board, retained the supervisory and regulatory roles and provides the technical and capacity building requirements. These reforms have led to a significant improvement of oversight.

Expenditures have generally been in line with budgets, and the Law on State Finance and Property adopted in 2006 has involved a major decentralisation of PFM, from MINECOFIN to line Ministries and other budget agencies. Budget execution and the power to execute virements (transfers) has been decentralised to the Chief Budget Manager in each Budget Agency. This has allowed increased ownership by line ministries of their budget and budget execution process, as well as reducing the time needed for payments to be approved.

Finally, a new format was introduced for the Finance Law in 2008, ensuring improved transparency and visibility. It now presents a three year perspective and moves towards integration of the recurrent and development budgets by presenting them together under each programme. Presentation of revenues was also enhanced allowing a clear overview of funding planned. It should also be noted that Rwanda is aligning its budget cycle with the East African Community, and had therefore to have a 6 months budget in January – June 2009, following which the budget year now starts in July of each year.

Currently a new reforms framework is being developed which will have impact on all government ministries in both the short and medium term. The issues that will be addressed in this new framework are as follows:

- A continuation of the restructuring effort, particularly in the context of decentralisation and also of the need to strengthen the policy making role of the centre as well as the monitoring and evaluation function;
- Introducing efficiency measures in the public service such as procedures, processes and systems and policies; and
- Change management processes which demand changes of work practices, culture and work attitudes.

To underpin this new reforms framework and other key capacity building initiatives, a new PEFA is planned for latter this year (2010).

It is therefore self evident that Rwanda has a credible programme of PFM reforms and a supportive institutional and political context for such reforms. Evidence of political will is available from a number of sources. However there is general agreement within the GoR that a lot more still needs to be done especially with regards to strengthening PFM performance at both national and district levels. Nevertheless, the trajectory of reforms is definitely positive.

## **9. An evaluation of the risk of corruption**

The fight against corruption has been very visible during the 2009 year, as a number of high-level public officials were under investigation and were arrested. These

included the PS for the Ministry of Education and that of the Ministry of Infrastructure, the Director General of the Central Public Investment and External Finance Bureau (CEPEX) and the Director General of the National Institute of Statistics of Rwanda. The charges ranged from corruption charges relating to being paid for contracts and embezzlement and misuse of public funds. The former Minister of State for Primary/Secondary Education is in jail for one year for misuse of tendering regulations/procedures in his former role as governor of Eastern Province rather than in education.

At the same time, whereas until recently the activities of the Office of the Ombudsman had largely been restricted to promoting public awareness about corruption and its grave consequences since its establishment six years ago, recently it has started serious follow up on the law that was passed in 2004 which requires public officials to submit an annual wealth declaration. Following its investigations, eight employees were sacked from the Ministry of Internal Affairs early in 2009 after they had failed to explain how they accumulated their wealth. A number of other government officials are still under investigation on similar matters.

The recent National Dialogue held during the first week of December 2009 helps to put Senior Officials publicly under the spotlight. This is a very bold but innovative way of making senior government officials accountable for their actions as the proceedings are broadcast live by the public media. Through this mechanism, no public official escapes scrutiny from the members of the public.

**The risk of corruption in the Education Sector is therefore judged to be moderate.**

## 10. Summary of key Risks and Mitigation Measures in the Education Sector

The following table summarised the key risks identified by this assessment and also suggests the mitigation measures that need to be in place. We also suggest a programme of activities under each mitigation measure that will need to be incorporated into the new ESSP.

Key Risks	Risk Mitigation measures (and programme of implementation activities under each measure)
1. Procurement remains a risky area given the findings of the Office of the Auditor General for the year 2008	<p>The Procurement Plan needs to be closely monitored and reports submitted to the JESS during the quarterly review meetings.</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• <i>Develop a procurement plan</i></li> <li>• <i>Share plan with DPs</i></li> <li>• <i>Quarterly monitoring of procurement plan</i></li> </ul>
2. MINECOFIN does not have adequate numbers of staff trained to handle PFM matters (only 3 dealing with a Rwf 20 billion budget)	<p>At least another Accountant (qualified) needs to be recruited. In the short term project staff and technical assistance will need to assist but with identifiable capacity building targets.</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• <i>MINEDUC to prepare a comprehensive capacity building plan which includes a new structure (as part of the new ESSP)</i></li> <li>• <i>Motivate for approval of the plan and structure</i></li> <li>• <i>Recruitment of suitably qualified personnel, including an extra accountant</i></li> </ul>
3. PFM capacities at school level need to be developed so that they are able to handle the capitation grant.	<p>Continuous training is needed at that level. The ministry will also need to produce a simplified financial management manual which will be translated into Kinyarwanda for use by lay men at that level. The training and the manual will need to deal with basic budgeting, basic record keeping, stock control and reporting.</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• <i>Develop a training plan and manual suitable at school level</i></li> <li>• <i>Share plan with DPs</i></li> <li>• <i>Translate manual into Kinyarwanda</i></li> <li>• <i>Implement plan</i></li> <li>• <i>Monitoring and evaluation</i></li> </ul>
4. Funds transferred to schools must not be treated as expenditure by MINEDUC.	<p>The current team of officials (from MINECOFIN, MINEDUC and MINALOC) who are looking at improving reporting on expenditure <i>inter alia</i>, should come up with a simple guideline on how real expenditure at school level should feed into the district reports on expenditure. Also periodic PER and PETS need to be carried out so as to track the usage of funds at decentralised levels, and to suggest solutions to issues uncovered by these exercises. Progress on these monitoring mechanisms will also need to be reviewed by the JESS.</p> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• <i>See 3 above on training plan</i></li> <li>• <i>Commission periodic PETS and PER</i></li> </ul>
5. The internal audit function both at MINEDUC and at the District level is	<p>The MINEDUC needs at least one more internal auditor and the district function needs also to be strengthened if internal controls at all these levels are to be relied upon.</p>

weak.	<p><b><u>Activities:</u></b></p> <ul style="list-style-type: none"> <li>• <i>To be addressed through the capacity building plan (See 2 above)</i></li> </ul>
6. Currently MINEDUC lacks grassroots generated data which would then ideally feed into the policy formulation process.	<p>More attention is needed on EMIS, which should start being operational as soon as is practically possible. Again, progress on this matter should routinely be reviewed by the JESS.</p> <p><b><u>Activities:</u></b></p> <ul style="list-style-type: none"> <li>• <i>Develop an EMIS implementation plan (with realistic timing)</i></li> <li>• <i>Share plan with DPs</i></li> <li>• <i>Implementation of plan</i></li> <li>• <i>Monitoring and evaluation of plan</i></li> </ul>
7. Commissioning of external audits by MINEDUC has not been timely.	<p>This needs to be done on a timely and regular basis in order to comply with the law and also with the agreements with DPs.</p> <p><b><u>Activities:</u></b></p> <ul style="list-style-type: none"> <li>• <i>MINEDUC's preparation of annual financial statements to be done expeditiously every year (possible with capacity enhancement)</i></li> <li>• <i>Timely liaison with OAG</i></li> </ul>
8. Lapse in the implementation of the Auditor General's recommendations on accounting, recording and reporting	<p>JESS reviews need also to review progress on the implementation of the Auditor General's recommendations. PS also needs to take charge of these issues as her signature appears in the AG's report. For accounting, recording and reporting at the school levels, continuous training will be needed, together with the development of a simplified financial management manual that will be translated into Kinyarwanda.</p> <p><b><u>Activities:</u></b></p> <ul style="list-style-type: none"> <li>• <i>Develop a plan for implementing the OAG's recommendation</i></li> <li>• <i>Share plan with DPs</i></li> <li>• <i>Implement plan</i></li> <li>• <i>Monitoring and evaluation</i></li> </ul>
9. Student registers at school, district and MINEDUC levels do not tally, yet this is an important input into the capitation grant calculation formula.	<p>Training will be needed at all levels on data base management. Reports by Internal Auditors must show that they are also checking these figures on a regular basis.</p> <p><b><u>Activities:</u></b></p> <ul style="list-style-type: none"> <li>• <i>As part of the training plan (See 3 above)</i></li> </ul>

## 11. Proposed Monitoring and Review Mechanisms

Monitoring of all education sector targets (including PFM) in Rwanda takes place through a number of mechanisms that bring Government, development partners and civil society representatives together in open and transparent processes. Some of these are specific to the education sector; others are part of a broader economic framework of planning and monitoring performance including the national budget allocation, execution and review process. The main mechanisms for the education sector are as follows<sup>14</sup>:

- The Annual Joint Review of the Education Sector (JRES), which brings together donors, ministries, districts, education institutions and NGOs to discuss expenditure, development priorities and progress on agreed action areas;

<sup>14</sup> Programme Document on a Proposed Grant: World Bank Document, Page 28

- The annual Joint Budget Sector Reviews by GoR which provides summaries of expenditure, budget execution performance, targets and allocation percentages for discussion with budget support donors and the IMF;
- Bi-monthly Education Sector Cluster Group meetings which monitor education policies, programme priorities and progress on JRES Action Points. Members include the main development partners, one Civil Society Organisation (CSO) and one United Nations representative, and the Ministries of Education, Local Government and Finance and Economic Planning (MINECOFIN);
- Periodic Public Expenditure Reviews (PER): MINEDUC conducted its most recent review in 2007 and plans for another review and a Public Expenditure Tracking Survey (PETS) are at an advanced stage.

Joint Sector Reviews in the Education have been organised consistently before June each year. Donor and donor coordination in the education sector is very well organised and more institutionalised than in other sectors<sup>15</sup>. DFID has been the lead donor since 2003 and therefore co-chairs with MINEDUC the quarterly education cluster meetings to which all donors and some major NGOs are invited. During these JSR, discussions focus in particular on specific “**priority action points**” on which government presents as update on progress. Discussions then lead to an update of the “priority action points” to be monitored in view of the next meeting. This arrangement provides a good framework for monitoring, among others, any PFM issues that the JRES might deem necessary.

In addition to the cluster meetings, some thematic sectors working groups have been set up, which focus on the specific issues such as girls education, TVET, etc. Of late, it was proposed to add a “budget” working group – open to all donors – which would focus on discussing budget-related issues such as budget execution, transfers to districts, funds management at school level, etc.

The emergence of the JRES as a focal point for monitoring sector performance has been important. This has allowed a harmonised process of SBS donors’ assessment of the government performance, thereby reducing transaction costs significantly. The substance has improved over time and the reduction of priority actions to a manageable number help focus the dialogue and reporting. The timing of the JRES has also allowed, in general, information on future SBS disbursements to be provided in time.

The Education Management Information System (EMIS), when fully operational, will also be an important monitoring mechanism for the education sector EMIS will collect all school and college-based data relating to pupils, teachers, equipment and infrastructure in public and private institutions, and support semi-autonomous agencies such as TSC, NEC and NCD.

### **11.1 Vertical and Lateral Accountability**

One of the main instruments set up within government to strengthen accountability is the *imihigo*, or performance contracts. Each Minister and Mayor of District sign a performance contract with the President. In turn, Directors sign performance contracts with their Minister. At the District level, District mayors sign performance contracts with all school headmasters, who in turn sign performance with each

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<sup>15</sup> Programme Document on a Proposed Grant: World Bank Document, Page 14

teacher. Many people have observed that this mechanism certainly strengthen accountability within the system and has the potential to be a model in the region.

Efforts are now underway to strengthen accountability towards civil society and beneficiaries. MINEDUC directives for example provide clear guidance on the role of Parent Teachers Associations (PTAs) in the management and approval of school budgets and expenditure. More training will continue to be needed for PTAs on how to deal with this responsibility. MINECOFIN is working on improving the transparency of the budget process, by using a citizen's guide to the budget. Other initiatives are ongoing in civil society to foster more interest on the use of the national budget, in particular at the decentralised level, and improve the transparency and understanding of the budget process.

## 12. Judgment on Overall Risk in the Education Sector

The CAP level FRA judgement was that Rwanda had a credible programme for PFM reforms and a supportive institutional/political context for such reforms, thus leading to the assessment that the **overall fiduciary risk in the country is moderate**. This assertion is also confirmed at the Education Sector level where the analysis of the various risk components has revealed that the reforms taking place at the national level have had some positive effect at the sector and to some extent at the decentralised levels. Although the various institutions and some PFM processes and systems still do show signs of weaknesses, the one impressive aspect of the Rwanda public service in general, is the very obvious and detectable determination and commitment to forge ahead.

It is also noted that a system of performance management has been adopted in the public service, known as *Imihigo* in *Kinyarwanda*<sup>16</sup>, under which leaders at different levels commit themselves to achieving certain goals in their respective areas, making the pacts effective catalysts for better and more focused performance among players, thus ultimately enhancing development. This is a performance management system which has resonance with Rwanda's cultural values, which provides a very firm foundation for performance improvement in the system.

Given these factors, the consultant has reached the conclusion that the **Education Sector overall risk assessment is moderate**, with a positive trajectory of change which is underpinned by a credible programme for PFM reforms and a supportive institutional/political context for such reforms. If the **mitigation measures** as detailed in this report are put in place and implemented, the sector should be able to manage the identified risk elements, and thus ensure the achievement of sector objectives and goals.

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<sup>16</sup> The New Times, Saturday, February 23, 2008, page 3

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